

## **Crop Insurance Loss Adjuster Licensing Requirements**

### **The Issue:**

The Risk Management Agency (RMA) has previously discussed with the NAIC the possibility of creating specific crop insurance licensing and continuing education (CE) program for insurance both crop insurance agents and adjusters. RMA staff had expressed concerns about inconsistency in licensing of crop agents and adjusters and general insufficient crop insurance knowledge requirements for licenses that were being issues, particularly with respect to the adjusters.

The RMA discussed this issue with both the Crop Insurance Working Group (CIWG) and the Producer Licensing Working Group (PLWG) in 2005. The PLWG, at the time, determined there was a lack of interest among states to develop and implement specific crop insurance testing requirements for crop insurance agents and adjusters in all states.

Under the RMA's Standard Reinsurance Agreement (SRA) with insurers writing multi-peril crop insurance, insurance adjusters are required to be licensed by the State if the State has loss adjuster licensing requirements. Since this requirement was introduced in 2005, problems have arisen that have hampered RMA enforcement and threaten to reduce the already shrinking numbers of competent crop loss adjusters.

### **RMA's Proposal:**

The RMA has presented to the CIWG the options it is considering that would raise the general proficiency of crop insurance adjusters and resolve certain problems RMA has encountered in enforcing its state loss adjuster licensing requirement. RMA seeks to provide crop adjusters with a standardized minimum level of comprehension of the multi-peril crop adjusting and provide additional (CE) testing. Testing would not apply to crop-hail insurance adjusters or other property and casualty insurance adjusters that do not adjust multi-peril crop insurance.

Under either option under consideration, proficiency testing would be administered by a third party on behalf of the RMA. The working group heard a presentation from the National Crop Insurance Service (NCIS) on a program they have developed that provides an example of a program that could conceivably operate under either option. At this time, RMA is trying to determine whether states, principally those with general P&C loss adjuster licensing requirements, are interested in voluntarily adopting a crop loss adjuster licensing proficiency program. If not, RMA may be required to contract for a formal certification program that would preempt those state loss adjuster licensing requirements that currently apply to crop insurance.

The RMA has presented two options for program implementation to the CIWG.

### ***Option 1:***

The first option calls for only limited RMA involvement, but requires that states with general P&C loss adjuster licensing requirements voluntarily introduce changes that either allows for crop-specific adjuster licenses or exempts crop loss adjusters from licensing requirements. As the basis for a crop-specific license, a third-party organization would prepare test content and conduct testing. RMA would review testing content annually and affirm to the states that the content is accurate and that a passing score demonstrates crop loss adjuster proficiency. This option would preserve state licensing authority and could be used to supplement most state licensing requirements.

***Option 2:***

The second option would call for RMA to contract with a third-party organization for a complete “Federal Loss Adjuster Certification Program,” in which the RMA would control all aspects of the program. Federal certification would preempt state licensing prerogatives for multi-peril crop adjusters; i.e. loss adjusters who wish to confine their adjusting activities to Federal crop insurance would no longer be required to obtain a state loss adjuster license.

**Program Impact on States:**

***Impact on State Agent licensing.***

The options under consideration apply only to loss adjusters. The current state licensing requirement of agents, even those agents that write Federal crop insurance exclusively, would not be impacted.

***Changes/Impact on States with Crop-Specific Licensing Requirements***

The program would not impact states that currently require crop-specific loss adjuster licensing, if Option 1 were implemented, provided that RMA determines that the state’s curriculum and testing requirements remain adequate. These states could adopt RMA-affirmed proficiency testing as the basis for a multi-peril crop adjuster license if they so choose. Under Option 2, all state licensing requirements for multi-peril crop adjusters would be eliminated.

***Changes/Impact on States with No Adjuster Licensing Requirements***

State with no adjuster licensing requirements would not be directly affected under either Option 1 or Option 2. The states would benefit indirectly because the program would provide adjusters with a standard level of proficiency. Under Option 1, states could adopt RMA-approved proficiency testing as the basis for a multi-peril crop adjuster license if they so choose. Option 2 would have no impact on these states since there is no licensing requirement to preempt.

***Changes/Impact on States with P&C Only Licensing Requirements***

Under the current system, RMA has expressed concern that some individuals adjusting multi-peril crop insurance are not receiving sufficient training and testing in crop-specific adjusting by only being required to hold a general P&C loss adjuster licensing at the state level. They have also shared concerns that some individuals are avoiding becoming crop insurance adjusters because they are required to study and test for a general P&C adjuster license, which they do not feel is necessary for ensuring that crop losses are properly adjusted.

Under Option 1, state P&C-only licensing requirements would have to be changed to reflect the uniqueness of crop-specific loss adjuster. States could do this in one of two ways: They could create a multi-peril crop-specific loss adjuster license to be issued to the adjuster once they have completed RMA-approved proficiency testing. The other option would be for the state to provide an exemption from obtaining a P&C adjuster license if they have completed the RMA-approved proficiency testing. Such individuals would only be allowed to participate in multi-peril crop adjusting. Under Option 2, all state requirements would be superseded by the RMA's program.

### ***Benefits/Costs to States***

Under Option 1, accepting an RMA-approved proficiency test as the basis for a multi-peril crop specific adjuster license would not involve any added cost. The costs for developing and maintaining testing content, administering tests, and maintaining accurate testing records would be borne entirely by the crop insurance industry. Overall costs to the state would likely be minimal since the only cost to the state would be that of issuing the license. Several states could benefit under Option 1 by creating a multi-peril crop-specific license using an RMA-approved proficiency test as the basis for a license and collect licensing revenue with minimal administrative costs for the state.

Under Option 2, states would lose licensing revenue from individuals who adjust only crop insurance losses and would no longer have authority to control the licensing process in their states.

## **Crop Insurance Working Group Position**

[To be added]